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The Mortgage Banker

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>> Outstanding innovation at the Chicago Convention was the new Mortgage Servicing Center, first of its kind and probably the forerunner of many similar meetings MBA members will attend. Shown here is the man who conducted the Center, Ehney A. Camp, Jr., flanked (left) by MBA's new president, R. O. Deming, Jr., and Milton T. MacDonald, new vice president. This type of meeting will be emphasized in the 1950 clinics.

In this Issue

THE CONVENTION IN REVIEW

LOOK INTO THE FUTURE

Demand for 2 million extra homes over normal expectations will be added to the real estate market of the early 1960's as a result of the "super-crop of babies" born during the war, Dr. Vergil D. Reed, associate director of research, J. Walter Thompson Company, predicts.

"Over a period of seven years, there was a 'war baby bonus' of approximately 5 million additional births above what normal peace time rates would have brought on the scene."

The decade of the 1950's also holds great opportunities for real estate men who understand the underlying forces at work. He points out, for example, that the "gradual decrease in family size will continue through the next decade and, of course, influence the size of home desired.

Discussing decentralization as another trend, Dr. Reed says, "America is definitely going suburban—home, factory, and store."

Americans will spend the next 50 years moving people from farms and the corporate limits of cities into the suburbs or peripheries of the big cities and in moving factories from the central cities to their peripheries and to smaller cities and towns.

The population is still moving westward, Dr. Reed says. In April, 1947, approximately 70 million people were living in different houses from those they lived in on April 1, 1940. Of these, about 44 million had moved to another house in the same county; 13 million had changed counties but remained in the same state; and 12 million had changed states. That is true mobility of population and represents fast turnover of house rentals and sales.

"Watch the West Coast continue to grow," he said. "War time migration to this region only accelerated a long-term trend. Between April 1, 1940, and July 1, 1948, the population of the three West Coast states increased from 9,733,262 to 14,144,000."

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ONE BEST WAY

for Every Servicing Operation

What we need most in servicing is more standardization of procedures and practices and an end to duplication

By EHNEY A. CAMP, JR.

THERE must be *one best way* to do each job in mortgage loan servicing. The railroads and public utilities have completely standardized their accounting systems and routines and methods of operation so that all report on exactly the same basis. We probably cannot expect to achieve that degree of standardization in our business, but we must begin working toward that goal and standardize on as many of the details as possible with the hope that the best ways of doing the job will result and this will, in turn, cut the costs of both the servicing agent and the investor.

Ehney A. Camp, Jr.

The more we standardize our routines and systems, the more all servicing agents and investors can do the job in the same manner.

Under our present system, each investor makes his own individual requirements and the servicing agents are, therefore, required to set up systems to meet the requirements of all of their different investors. The same job then has to be done in several different ways and this creates confusion in systems and additional burdens for the servicing agents with a corresponding increase in cost.

To achieve our ultimate goal, we must develop a spirit of cooperation among all of those in the mortgage business — both servicing agents and investors. We must get investors interested in this subject and get them to thinking about standardization and the development of the *one best way* to do a particular job and then we must all work toward selling as many of the investors as possible on doing the job in that way.

The fact that the servicing agent and the investor are doing business together is proof that they have respect in the honesty, integrity and ability of the other. That means we are trusting each other in connection with the big things but we do not seem to be willing to display that same feeling of confidence in the handling of servicing details. Under our present system, many of the tasks performed by the servicing agent are duplicated by the investor and this duplication of effort costs money.

It is important that we do everything possible to eliminate duplication of effort. The gross rate of return on mortgage loans has been steadily declining while, at the same time, the expenses of operating the mortgage business have been climbing. Taxes now take a great proportion of the net income that is left. There is very little we can do about the gross rate of return on mortgage loans since this is pretty well regulated by government agencies. Certainly, there is nothing that we, as mortgage men, can do about income taxes. Our only hope in trying to keep the net return on mortgage loans at a reasonable level is to cut our costs; and it would appear that our biggest field of opportunity lies in servicing.

The National Bureau of Economic Research conducted a survey for the Investment Research Committee of the Life Insurance Association of America dealing with the net return

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Something decidedly new was added to the 36th of MBA's series of annual conventions—the Mortgage Servicing Center. Since nothing like it had ever been tried, its pronounced success was a source of considerable satisfaction to those who conceived, planned and executed it. Set up for 600, an attendance of 250 would have been considered satisfactory; but as it turned out, the 600 chairs were filled practically every session.

And it was more than just a successful discussion of servicing: it plainly indicated that mortgage men generally appreciate the big role servicing will play in their future operations because of the greater volume of loans today. The result of all this will be that members will be getting more and more of these practical excursions into that side of the business where most economies can be made, where more efficiency can be attained and where the profit can be increased.

Besides acting as moderator at the first Servicing Center, Mr. Camp also contributed one of the most thoughtful talks, a condensation of which appears here. Mr. Camp gets down to specific suggestions and cites some servicing problems between correspondents and investors which he thinks should and can be ironed out. The Research Committee has them under study and an effort will be made to see what can be done about them. At least two of them will be the subjects of research studies in 1950.

Mr. Camp is vice president of the Liberty National Life Insurance Company of Birmingham.

on city mortgage loans of a group of life insurance companies. The companies included in the survey had more than 50 per cent of the total life insurance company mortgages and the figures for the same identical companies were compiled for 1945, 1946 and 1947.

In arriving at net return, there was deducted from the gross return, the servicing fees, the acquisition cost (including the premium) and home office expenses. No allowance was made for principal losses.

For those companies with mortgage portfolios greater than $100 million where branches were not operated, the net return by years was: 1945, 3.77 per cent; 1946, 3.38 per cent; and 1947, 3.06 per cent.

For those companies with mortgage portfolios of over $100 million where branches were operated, the figures were: 1945, 3.75 per cent; 1946, 3.34 per cent; and 1947, 2.90 per cent.

The 1948 figures will soon be released and we can hope that they will show a little higher net return. This matter is of importance to everyone in the mortgage business because we are anxious that the net return on mortgage loans compare favorably with other types of investment. Otherwise, we may find private institutional investors turning away from mortgage loans which would mean the further socialization of the mortgage loan industry. We must, therefore, be alert and aggressive in studying this question of servicing and seek out the very best and efficient ways of doing the various jobs. We must get at the very bottom of what is going on in connection with every detail.

Now, to be more specific as to procedures in connection with which there is room for more cooperation and mutual understanding between the servicing agent and the investor working toward the cutting of costs and a happier over-all relationship:

>> REMITTANCE: Some investors continue to require the servicing agent to show on the remittance report the servicing fee for each individual loan. It is difficult to understand why this information is of any value to either the investor or the servicing agent and the more modern method seems to be for the servicing fee to be calculated in total.

Remittance forms are now devised where collections at different rates of interest are grouped in a very simple and efficient manner and then it becomes a very simple job to calculate the total servicing fee on the total collections by each rate of interest. Those who have adopted the latter system make the statement that it saves them no end of work and this means cutting of costs.

>> ESCROW: Some investors require the servicing agents to remit escrow funds which means there is a duplication of bookkeeping and maintenance of records on the part of the servicing agent and the investor. This system calls for balancing of records by the two and correspondence in connection with all the details of adjusting monthly deposits and paying the items as they fall due. Costs can be greatly reduced if the investor permits the servicing agent to retain all of the escrow funds and make all of the disbursements. Of course, all investors will get some reasonable standards of auditing to be sure that the servicing agent is performing his functions properly.

>> ACCOUNTS: For many years, a subject which has always generated interesting debate has been that of combining the various escrow deposits into one account as opposed to maintaining separate escrow accounts for each type of reserve fund. Those who have combined the accounts into one believe that the system involves much less effort and expense but, usually when the accounts are combined, some additional operations are necessary to keep the borrower more definitely acquainted with the status of his total escrow account.

This is usually accomplished by furnishing to the borrower of a receipt for each monthly payment which receipt shows his accumulated escrow balance. Those who have not combined their escrow accounts into one account seem hesitant to do so because they feel they would have to change other portions of their servicing system to make for a smooth operation. My own personal opinion is that costs can be cut greatly by the combination of the accounts into one if intelligent planning is given to the change.

>> LOSSES: Rapid progress seems to be coming in the field of settlement of hazard insurance losses. My own company has just instituted a system which is illustrative of the point. Up until recently, all hazard insurance loss drafts were forwarded to our home office by the servicing agent with information as to the loss and steps being taken to repair the loss. We would endorse the draft and return it to the servicing agent with instructions to get proper receipts and releases before delivering the draft.

Under our present system, we now permit servicing agents to endorse loss drafts of under $300.00 on our behalf and to handle the matter without notifying us of any of the details. Of course, we have outlined a general system we expect our servicing agents to follow in the settlement of these losses but, once having set out the procedure, we are going to leave it up to the servicing agents to handle these settlements without any further instructions on our part and, in fact, without even notifying us.

>> INSURANCE: A subject of extreme interest at the moment is the trend toward the retention by the servicing agent of hazard insurance policies. When the loan is closed, the servicing agent furnishes the investor a certificate of the insurance received at the time of closing. The investor has the opportunity then to check the coverage to be sure it is in accordance with his requirements.

However, the servicing agent retains the policies and, in many cases, does not even furnish the investor a certificate of renewal, it being understood that the servicing agent will be responsible for maintaining in force that amount of insurance unless specific approval is obtained from the investor to change the coverage.

I know that several large institutional investors have adopted this procedure and the RFC has recently issued instructions that the policies will be retained by the servicing agents. If systems can be worked out to assure the investor of proper protection and if the insurance investors can comply with the regulations of their insurance departments, it seems to me that this is one of the greatest fields in which detail can be eliminated and costs can be cut.

It appears that most of the servicing agents operating under this system take out "Errors and Omissions"

(Continued on page 21, column 1)

THE CONVENTION IN REVIEW

THE PREDICTION WAS RIGHT: IT WAS LARGEST CONVENTION MBA HAS HELD

MBA's 36th annual convention at the Palmer House, Chicago, September 19 to 21, was the largest ever held. Registrations were around 1600 as against 1460 last year. But that's hardly a fair comparison because in previous years ladies' registrations represented an appreciable number while this year ladies weren't registered unless they were actively engaged in the business. Actually, paid registrations were 1533 this year, far more than in any previous year. So it was MBA's biggest by all odds, as any member who was there could observe for himself. Going back ten years in attendance, here are the registrations: 1948 in New York, 1460; 1947 in Cleveland 1186; 1946 in Cincinnati 1080; 1945 in New York 940; 1944 in Chicago 969; 1943 in Chicago 695; 1942 in Chicago 608; 1941 in New York 770; 1940 in Chicago 1101; and 1939 in Detroit 808. Other statistics:

» Registrations were from more than 200 towns and cities in 43 states, widest geographical representation yet recorded.

» Detroit led again in the size of out-of-town delegations—it numbered 80. Chicago was first with more than 160 registered, New York 61, Cleveland 46, Washington 39, Minneapolis 35, St. Louis 31, Nashville 34, Dallas and Houston 32 each, Philadelphia 29, Kansas City 25, Miami 28, Memphis 24, Denver 22, and Pittsburgh, Baltimore, and Birmingham 20 each.

» With probably an exception here and there, everyone you saw at Chicago was an MBA member. Every effort was made to limit the Convention to members, but there may have been a slip or two. This is due to the board's determination that the Association's advantages should be available to the members who make up the organization. In actual practice this has to be done because the hotel facilities for the present day MBA convention are not sufficient to accommodate non members also. As it turned out in Chicago, the Association had guarantees for roughly half of the 2200 rooms at the Palmer House, one of the largest and best equipped hotels in the world; but in practice we were unexpectedly crowded with many members experiencing the greatest embarrassment and inconvenience in not having their confirmed reservations of months' standing honored on arrival.

This the Association deeply regrets. Every possible precaution had been taken and a sincere effort made to house all members under one roof. What actually happened was that we faced a somewhat "over sold" condition, due to miscalculation, added to the fact that the check outs, which could normally have been expected Sunday night did not materialize in the usual ratio. To every member so inconvenienced, let this serve as our assurance that every possible effort will be made in the future to avoid any such recurrence.

» What were people thinking about mostly at the Convention? Answer probably is that those who attended were thinking most seriously about the threat of direct lending, the changing conditions in the money markets, the continued high volume of construction and if it can be maintained and just how the new government program will work out.

As far as the speakers go, those who addressed the Convention on broad general subjects affecting the foreign and domestic scenes reflected a pronounced note of concern over international relations but, at the same time, indicated an optimistic view that it would come around all right in the end—a view which would seem to be reflected in public opinion at the moment. General economic forecasts were practically all on the favorable side, with a note of caution and a mild warning here and there.

R. O. DEMING, JR. TAKES HELM AS HEAD OF MBA

Just over a quarter of a century ago, the late R. O. Deming of Oswego, Kans., was elected president of MBA's predecessor, the Farm Mortgage Bankers Association. On September 19, his son, R. O. Deming, Jr., was elected president of its successor, MBA, which now represents both farm and city lenders and the entire field of mortgage lenders and investors. President Deming succeeds Aksel Nielsen of Denver who has directed one of the most active years the Association has ever experienced.

President Deming has a full program under way for the new year; and following the close of the Convention sessions Wednesday noon, most of the committees held meetings to make initial plans.

Milton T. MacDonald, vice president, Trust Company of New Jersey, Jersey City, was elected vice president. Howard S. Bissell, Cleveland, was elected a regional vice president and Amos Hewitt, New Haven, Conn., Brown L. Whatley, Jacksonville, Fla., Earl Linn, Des Moines, H. B. Moffitt, Oklahoma City, and W. R. McMurray, Portland, Ore., were re-elected regional vice presidents.

Five members were elected to the board, Frank Bell, Washington, D. C., John Hall, Birmingham, Ferd Kramer, Chicago, Harry C. Peiker, New York, and H. R. Templeton, Cleveland. Paul J. Vollmar, Cincinnati, Aubrey M. Costa, Dallas, and Norman H. Nelson, St. Paul, were reelected to the board.

In a meeting as large as this, with so many diversified views represented, it isn't easy to accurately measure a trend; but probably it is safe to say that the big majority of mortgage men look to the future with a great deal of confidence, feeling that our section of the economy is on a sound basis.

All in all, it seems to have been a most successful annual get-together for those who make up the mortgage industry.

WHAT THEY SAID IN CHICAGO

. . . *on the International Scene*

WHILE supporting American efforts to get Europe back on her economic feet, the one significant conclusion which Convention speakers on foreign affairs emphasized was that this country is no bottomless pit, no endless source of help and that there is a limit beyond which we cannot go in helping others if we are not to damage our own economy. Some of these points were:

LOUIS WARE, president, International Chemicals & Mineral Corporation, Chicago, just back from Europe: "The United States, in its efforts to reconstruct and reestablish commerce with foreign countries has been over-ambitious in its planning to build up foreign industries.

"Export business cannot exist unless there is import business. That is one of the troubles today and the reason we hear so much about the dollar shortage. Other nations need and want to buy the things we have to offer and they are buying them even beyond that which they can afford. They, however, are not making things and offering goods to us that are of a kind, quality and price which we will buy in sufficient quantities to even nearly offset their purchases here. In most cases, other countries have gone farther than we have with trade unionization and socialized projects. Also, because of the socialization and because of the aftermaths of war, they have much higher rates of taxation. The production costs of their goods are, therefore, heavily burdened with high taxes and governmental charges which support these social projects. There is no longer cheap labor in Europe as compared with pre-war, and that, together with the taxes and government assessments is making their production costs unusually high.

"There does not exist abroad an atmosphere which will be attractive to new risk capital. I mean politically and as regards labor, taxes and governmental regulations. We hear a lot about socialism and the difficulties in England; but in most all of the countries outside the United States, it has progressed and exists to a much greater extent than here.

"For our government to put guarantees on capital and even provide a guarantee for recovering in dollars a portion of the income against the many dangers and obstructions which under no other condition would ever attract capital, is just not sound. A controlled and small program of that kind may be desirable, but the controlling and keeping relatively small is a great undertaking. Once started it may grow beyond reason and result in greater dollar losses than ever expected. We need new, risk capital in our own country too. I think we must realize that even the United States is not big enough to continue the give-away programs to such an extent."

CLAYTON RAND, Gulfport, Miss., publisher and columnist, also just back from abroad: "There is a limit to the help we can give regardless of how pressing the need and urgency may be."

JAMES C. DOWNS, president, Real Estate Research Corp., Chicago: "Devaluation of the pound means confiscation of money to the Englishman."

. . . *on our Domestic Affairs*

ON THE home scene, the central theme running through the discussions was that times are remarkably good, the readjustment which became evident more than a year ago has been healthy and mild and that we can look forward to continued good business. But there were warnings and reservations because of trends in Washington which many conclude are socialistic and will take us down the road England traveled. For example:

HERMAN W. STEINKRAUS, president, Chamber of Commerce of the United States: "Business must be given a favorable atmosphere in which to expand its services to the public. An adequate supply of investment funds is essential in building a better America.

"More and more people in government and out are beginning to see the crucial need for encouraging venture capital. The forthright statement made by Federal Reserve Chairman Thomas McCabe to encourage use of equity capital not only deserves the approval of the nation, but merits early and careful official consideration. If enough people will ask action by Congress, we may get an adequate study of equity capital requirements."

"I urge America's bankers to consider how they can help to develop a better appreciation by the people of the importance of broad public buying of shares in American industry."

MARK A. BROWN, executive vice president, Harris Trust & Savings Bank, Chicago: "The state of the nation's economic health is good and the present readjustment in business is just what the doctor ordered.

"Some political developments are disturbing, it is true, but we in this country certainly have no reason to be dissatisfied with our lot at the present time. We're not back to normal yet by any means but further recession actually shouldn't worry us.

"The farmer is in a particularly advantageous position with seven out of ten farms free of encumbrances, seven straight good crop years behind us and farmers with $23 billion of savings. Banks are in as sound a position as they have ever been before. All in all the future economic outlook is excellent."

MEYER KESTNBAUM, president, Hart Schaffner & Marx, Chicago: "Businessmen, who have been operating under various pressures for many years, can now look forward to the return of a normal economy. No serious-minded businessman thinks that this means a return to a prewar economy. We face an entirely new set of conditions; a new price level, a new relationship between wages, prices, and profits, higher break-even points, an entirely different tax structure, and

an increasing degree of participation on the part of government in the broad trends which affect business judgments.

"There is no doubt at all about our ability to meet this test provided we maintain an atmosphere that is favorable to the development and expansion of our competitive enterprise system. Business must have confidence in the essential soundness of government's monetary and fiscal policies, and, in its turn, must demonstrate that it is ready to assume larger responsibilities. On this basis we can consolidate the broad gains that have been made and set the stage for a new period of prosperity. The real truth of the matter is that we have extended our horizons and we now regard prosperity as a normal condition."

. . . on the Housing Front

ON THE housing front, the Convention speakers emphasized that costs probably will not drop fast, volume should continue high and the government will push hard for the rest of its housing legislation. Significant views were:

Franklin D. Richards, FHA Commissioner: "The nation is rapidly getting what it asked for—a lower-cost house and it is going to get more and more of them.

"More and more of our (FHA) business is in the lower price range. This is a good thing because we cannot overlook the fact that capacity to pay is a vital factor in the production of any product and the merchandising of housing is no exception. If we are to do the housing job for this country, we must build good-quality houses at prices the average family can afford.

"The average FHA home mortgage dropped from $7400 in October last year to $6900 in July—a 6 per cent drop in less than a year. All over the country builders are successfully producing more and more lower-priced good-quality houses.

"They are producing them even in the so-called high-cost areas—I mean those in the price range of $4000 up to $8000. Our offices report that low-priced homes represent an increasing proportion of current sales. Houses in the lower-priced range accounted for 75 per cent of sales in 18 areas and 50 per cent of sales in 40 other areas.

"The urgent need for improved housing conditions for members of minority groups is a vital part of our general housing program. Negroes, who constitute by far the largest minority group, have access to a disproportionately limited part of the housing supply; and the amount of new housing built for them is entirely inadequate. The opportunity in this field has been neglected by private enterprise.

"Our experience has demonstrated that when the same standards are applied, race is not a factor in mortgage experience. The chief hazards occur when the purchaser or tenant pays more for the accommodations than they are worth or when the price is too high in relation to income. Urgency of the need often makes members of minority groups willing to undertake disproportionately large obligations.

"Private industry should take an active interest in this neglected area because if private industry will not meet the demand to provide minority group housing, it cannot help but give impetus to the arguments of those who advocate direct mortgage lending by the government."

Rodney M. Lockwood, president, National Association of Home Builders: "Unless we suffer a major depression, there can be no reasonable expectation of a substantial drop in the cost of building a home. These costs are made up of four major elements—labor, materials, transportation and taxes. Unless we can foresee a drop in these things that make up construction costs, we can hardly expect a reduction in the cost of the finished house.

"No one expects any drop in wage rates. Indeed, we are seeing a continued upward pressure. The price of materials has stabilized to a good extent, but if there is any pressure here, it also is upward. Transportation rates are fixed by law, and instead of any decline, we have had substantial increases over the last few years.

"The opportunities for reducing construction costs lie in the field of technological advance. And it is equally a fact that home builders have made much technological progress in the last decade.

"But something else has been happening too. It is simply that the savings we have been able to effect through better building methods have been absorbed by other things—chiefly by wages. The steady improvement of our technical methods has been accomplished by a steady increase in wage rates. Thus the home builder has really been somewhat in the position of the boy at the hole in the dyke. He has actually been holding the price line by effecting savings in operating methods. This is why the cost of building a house has advanced less than the cost of other necessities —a fact that has been noted many times.

"Of course the cost of a new home today is far greater than it was prewar. But if the industry had not improved its methods, if it had not learned how to get greater production and efficiency, the cost of houses today would be far beyond what they are.

"Today's houses are being produced by the most efficient methods in our history—and at the highest wage rates and material costs. Yet the recent annual report of the FHA made abundantly clear that the great mass of our people who are buying the million houses a year we are building are middle income families. Some of them are actually in the lower income groups.

"Hence it is clear that we are still supplying houses to all price groups, and in spite of the advance in costs, we still are priced well within our market.

"I submit that is something of a record.

"The one great thing that could contribute most to a lowering of costs is a steady, stabilized free market. With a steady market, home builders can plan on a long-range basis, can plan on a project basis. When we do that, we can effect the economies in technological and purchasing methods that in turn mean lowered costs —providing, of course, that wages do not jump forward again to absorb the savings.

"The government, which says it is anxious to see lower housing costs,

could do much to bring them about if it would so conduct itself as to encourage sound steady markets. If it would follow this course and establish the kind of economic climate in which we could all work and produce more, it would be far better than the course it is on today. That course, obviously, is to move into private business, to take it over, and to try to do the job itself."

PHILIP M. KLUTZNICK, president, American Community Builders, Inc., Chicago: "I do not believe that the present enlarged public housing program can or will bring a collapse of private enterprise unless we, who make up that category, by inaction and downright stupidity insist on such an eventuality. The millennium will not be brought into being by public housing. The program will get off to a slow start.

"So long as private construction stays at a high level, there will not be the pressure to force large or increased volume of public housing in order to take up the slack in the economy. For one thing, the public agency charged with this program has been largely depleted of essential personnel. Local housing authorities, with a few notable exceptions, have been on a virtual stand-by basis for some years. I would venture one prediction—that in not too many months the supporters of public housing will be criticizing it for delays, planning judgments, segregation patterns and the like.

"This means that we in our field must take advantage of a breathing spell afforded us to strengthen the industry's operation in the low-middle-income housing market. Fair-minded advocates of public housing would welcome such a result. The public housing program need have no deleterious effect on the need for mortgage credit or for the continuance of the private enterprise program in the immediate future if we in the industry will it so and act accordingly.

"For the sake of the industry, we should quit standing on the sidelines as carping critics. We should discharge our functions as informed citizens in the field of housing to make certain that the announced and legislative objectives of this program are made secure."

RAYMOND M. FOLEY, HHFA administrator (via B. T. Fitzpatrick, deputy): "Decent housing has too generally cost too much for the incomes of a great proportion of our people. I don't mean just shelter. I mean decent housing in the modern American sense.

"With the discretionary power in the President to accelerate or decelerate, in keeping with the economic situation, public housing activity can be a definite factor in the stabilizing of housing production so necessary to the stabilizing of housing costs.

"The scope of possible urban redevelopment in America is so great that the program set forth in the law is of more significance than its own billion-dollar size. It is new. It can point the way to future progress, or it can delay and hamper future progress in our cities, depending upon the wisdom of the beginnings. We know there is impatience to start and there will be criticism of delay. We do not intend to let such impatience or such criticism stampede us. It is of paramount importance to the future of American cities that we be sure these foundations of this new endeavor are firmly and securely laid, without fundamental defects."

JAMES T. LENDRUM, acting director, Small Homes Council, University of Illinois: "People think of a house as a series of rooms with quantities of mechanical equipment superimposed on the rooms just as one adds accessories to an automobile. It is rarely thought of as a strictly utilitarian or functional device designed to provide a certain predetermined climate or environment in which satisfactory living conditions can be maintained.

"It is time for some definitely new approach in the field of housing, one that will encourage us to go forward as far in the field as did the engineers when they broke away from the propellor plane to the jet plane.

"Who knows, for instance, whether the list of furniture considered standard is correct? Who knows precisely what space is required for living, what strains are imposed upon the occupant of the housing? If the living conditions are not correct, how many maladjusted adults are there whose difficulties might be traced to unsatisfactory housing conditions as children.

"We are sure to find that our old idea of a house being four walls and a roof and a number of rooms is completely antiquated."

HOW DID YOU LIKE THE CONVENTION?

What parts appealed to you? What was most valuable? Did you profit from the Mortgage Servicing Center and do you approve of having two programs running at the same time? What didn't you like about the Convention, what were the weak spots and what suggestions have you for improvement?

In making plans for 1950, the various MBA committees would like to know exactly what you thought of the 1949 Chicago Convention and will appreciate your writing fully and frankly to the national office in Chicago.

. . . on the Mortgage Business

GETTING down to the principal matter at hand, the mortgage business itself, the speakers brought forth varying views and ideas of where we are now and where we are likely to go. The threat of direct government lending hangs heavy over the field. The future role of private enterprise, what will happen to the G. I. loan program and what the interest rate is likely to be all came in for comprehensive review:

EARL B. SCHWULST, president, Bowery Savings Bank, New York: "Mortgages are in an advantageous position today. Bond prices are high, yields are low. The longest term government bond, the restricted 2½'s of 1967/72, yield about 2.30 per cent. High grade industrials provide only 20 to 30 basis points additional yield and prime utility securities are selling around a 2.65 per cent level.

"Savings banks that are gaining deposits heavily find it difficult to invest their funds in the bond market at a return sufficient to pay operating expenses, a 2 per cent dividend to depositors and provide for necessary additions to surplus. Of the nation's

530 mutual savings banks, 411 are paying 2 per cent or more on deposits.

"There isn't anything to indicate that high grade bond yields will firm. The monetary authorities have made it plain that an easy money policy is to be pursued. The treasury is again faced with deficit financing and is naturally anxious to keep the cost of borrowing money at a minimum. The federal reserve system is not supplying the market with government bonds. The supply of new corporate issues during 1950 will probably be much smaller than in any previous postwar year. Most of the funds needed for expansion in the railroad equipment field, the telephone and public utility industries, will be completed by the end of this year. It is unlikely that the supply of corporate bonds will come anywhere near satisfying the demand from investing institutions. It appears mortgages will have little competition from the bond market."

James C. Downs, president, Real Estate Research Corp., Chicago: "The mortgage lending cycle is going to be flattened out by priming of the pump and by outlawing deflationary measures. Mortgage banking is supported entirely by the consumers. The amount of current building for investment is negligible but there is intensive building for use. This is a revolution in real estate economy of the last several years. In a country as voracious for growth and a higher living standard as the United States, the only limitation on credit is the ability to support the borrowing."

H. R. Templeton, vice president, Cleveland Trust Company: "We must tell the world, including all borrowers and all social-minded political power-seekers, that we will lend proper amounts on proper values, at proper interest rates and on proper terms and that, in so doing, we are protecting the borrower as well as ourselves. Let's get across to the borrowers that we, the mortgagees and the borrowers, are in the same corner. We are the only ones left with an interest in the property after its completion. Let's tell the building industry that it should build adequate houses at fair prices and lenders will do their part.

"Without courage and character we abandon our independence and end in accepting dictation and domination by politicians. These politicians are taxing the great productive class of this nation to support impractical social legislation to foster more and more dependence of the masses so that they may maintain and continue themselves in power.

"While everything else has been in short supply, mortgage money has been plentiful. While everything else has been high in price, money has been low in cost.

"The mortgage finance industry has not been, for a number of years, a free agent exercising its independent judgment as to the quality of mortgage loans. Our mortgage practices have been increasingly influenced by the welfare approach; and it is my belief that the portfolio has been diluted and future problems have been multiplied."

George H. Dovenmuehle, executive vice president, Dovenmuehle, Inc., Chicago: "We are going to be asked to make loans of 25 years or more when we know that the cost of construction will vary greatly. We know that technical improvements and new materials may make many of our structures obsolete. We will be judged by our ability to produce a large volume of loans under such conditions—and then by our ability to keep them in good standing. It will be no easy task.

"Our industry will depend on our ability to cooperate with government. Our government can be of tremendous service to us—it should be; but if we attempt to place all responsibility on government, then it ceases to be our servant and very soon becomes our master. To make proper use of FHA, VA and FNMA—and at the same time to maintain our independence and responsibility will require a high order of intelligence, integrity and true statesmanship."

Lindell Peterson, president, Chicago Mortgage Bankers Association: "Have we in the mortgage field any plans to convey to the layman our understanding of the inherent unsoundness of some of the nightmarish threats to our own security and the security of everyone who has the smallest stake in the future of the country? Politicians talk about the benefits. Is anyone showing the plain citizens the other picture? Are we putting our best foot forward in our dealings with the public? Does the little man who is struggling to pay off the mortgage on his modest home realize that what is good for the best interest of the mortgage banker is, in the long run, good for him?"

Willis R. Bryant, assistant vice president, American Trust Company, San Francisco: "Even though our mortgage loan structure is on a far sounder basis today than it has ever been in the past, pitfalls which have caused trouble before cannot be ignored — pitfalls such as sharp economic readjustment, governmental legislation and unemployment!"

John F. Austin, Jr., president, T. J. Bettes Company, Houston: "Mortgage bankers must realize that their very existence depends on the income which they receive from servicing and does not primarily depend on other income such as originating loans, property management and insurance."

Walter C. Nelson, vice president, Eberhardt Company, Minneapolis: "Too frequently the morale of the clerical help is destroyed by too close supervision. It is the cause of petty differences, making it necessary to change help frequently, thereby adding to your operating costs. Employ the most competent help available. Give them responsibility. Follow their suggestions as to routine changes whenever it is practical, and you will find your office will be more efficient, economical, and a pleasant place to work."

Coming in

The Mortgage Banker

a new feature

SERVICING CENTER

•

Inspired by the success of the Mortgage Servicing Center at the Convention, The Mortgage Banker will inaugurate a new feature next month devoted entirely to servicing.

Here you'll find ideas and suggestions about all phases of servicing. Questions about servicing are solicited. If we don't have the answer immediately, we'll investigate until we come up with something that will assist you.

Watch for this new feature and plan to use it. It starts in

DECEMBER

President's Page

A New Association Year and a Big Program

It is with deep humility and a keen sense of my own personal deficiencies that I accept the responsibilities as president of the Mortgage Bankers Association of America, an honor for which I am deeply appreciative. I will attempt, with the aid of each member, to carry forward the expanded program of MBA activities as outlined by the Board of Governors. I can scarcely hope to equal the success and growth which the organization experienced under the able leadership of Aksel Nielsen this past year; but I do pledge to each member that my activities and efforts will be directed toward continued progress and elevating to still further heights our mortgage profession.

It would appear that the ensuing year may be one of some uncertainty and a period during which the mortgage broker and correspondent should perfect his office practices to effect short-cuts and economies in operation so he can better withstand the increasing collection problems and restricted income.

We, as an organization of mortgage bankers, have a definite obligation to three different groups—

» First, to our investors in giving them the greatest possible safety and security in our offerings of real estate mortgages.

» Second, a distinct and definite obligation to our borrowers who make our business possible, an obligation to protect them from paying too high prices for properties they buy, resulting in excessively high loans.

» Third, an obligation to the builders and local agents submitting applications to us to correctly advise and guide their activities to the best of our ability.

Continued high construction activity by private builders is forecast for the next twelve months or longer; but, is it not time for us to recognize that the market for newly constructed homes is becoming more limited rather than to continue in the false assumption that the field has no expansion limits?

The entire program of MBA for the following year is aimed toward rendering greater service to the mortgage banking profession as a whole, with more individual service to our scattered members by the central office, taking our services to the entire country through increased clinics, broader research and an attempt to meet our individual members' problems in their own offices rather than on a broader national scale.

I believe we have strong representation on every committee of the Association; and I can assure you that each member of every committee, the Board of Governors and the Chicago office will certainly welcome criticism, as well as suggestions, for added service to our members.

One of my first official acts, pursuant to the authority given me by the Board of Governors, was to appoint three independent committees to work with the Legislative Committee in approaching the problem of possible federal government lending.

C. Armel Nutter was appointed chairman of the committee to study the possibility of an industry-wide group meeting under the auspices of the Chamber of Commerce of the United States, the objective of which would be to seek national legislation acceptable to all groups interested in real estate financing. The plans for this program are well along.

Second, Byron T. Shutz was named chairman of a committee to seek the cooperation of all lenders in broadening the national GI loan market. So far, many lenders have indicated an interest in this program as well as their own return to the GI market. The net effect of this will be to lessen the demand for funds made upon the Federal National Mortgage Association and should definitely halt the demand for direct government loans.

Third, W. A. Clarke was named chairman of a committee to determine legislative-wise just what we as individuals and not as an association could do to advise our senators and congressmen of the capacities of our own companies to market sound GI loans and thus dispel in their minds the thought that there is any need for direct government loans.

I am happy to report that each of these three independent committees has gone to work in a splendid manner and their efforts are now becoming conspicuously evident.

I urge each of our members to give thought and consideration to the suggestions mentioned here and take such action on their part as their judgment tells them will make a contribution to the success of this program.

President
Mortgage Bankers Association of America

MORTGAGES ARE BEST BET

. . . to increase the yield from savings bank earning assets

By AUGUST IHLEFELD

THE chief avenue for increasing the yield from savings bank earning assets now is to expand the mortgage portfolio. Mortgages yield a considerably higher rate of return, on the average, than do high-grade corporate bonds. Hence, it is necessary to acquire a much smaller volume of mortgages to bring about a given rise in the average rate of return than would be the case if high-grade corporates were purchased.

Declining interest rates make it more difficult to secure mortgages, since other institutional investors bid for them more avidly along with savings banks.

As builders turn increasingly to the construction of smaller and lower-priced houses, the volume of new mortgages becoming available is curtailed. Slower turnover of real estate and the constant reduction through amortization of outstanding mortgages also slow down the expansion of the mortgage supply.

The Home Loan Bank Board estimates that the net increase in the volume of outstanding small home mortgages was only $1 billion in the first six months of this year, as against an average annual increase of almost $5 billion in the two preceding years. With the demand strong and the supply of new mortgages insufficient, it is obviously going to require intensive search and effort to secure acceptable mortgages in sufficient volume to expand portfolios.

An expansion of mortgage portfolios entails some lessening of liquidity. But mutual savings banks are highly liquid today. With cash and governments equal to about two-thirds of deposit liabilities, liquidity is clearly not a problem. We have built more liquidity into the mutual savings banks system in the past decade than it ever had before. Some reduction of liquidity for higher yield, provided average quality of portfolios remains high, would be justified in any event. It could become quite desirable in an era of declining interest rates.

Existing relatively high appraisals and the high ratio of mortgage loans to property values have given rise to misgivings which are reflected in the practice of setting up reserves against possible losses. The experience following past building booms would indicate that declines in real estate values could again occur.

The general use of the amortized mortgage, however, provides a valuable safeguard to the lender that was not available in past building booms. Moreover, mortgage lenders can secure a large measure of protection against material losses through FHA insurance.

The volume of FHA-insured mortgage investments available for purchase in the national field is large. Although the volume of loans insured by FHA declined this spring, applications for FHA insurance of mortgages on new single-family houses increased sharply in the second quarter. A recent amendment to subdivision 20 of section 235 of the banking law gives the savings banks of New York State direct access for the first time to the national market for FHA-insured mortgage loans. Currently these investment trust estates yield approximately 3.75 per cent to maturity on multi-family dwellings, and on the smaller mortgages the yield based on a 10-year life is approximately 3.55 per cent.

The fact of a continuation of low interest rates and the investment prospects for the future point to the following conclusions:

» Mutual savings banks would do well to safeguard yields in a period of declining interest rates, rather than to be tempted to sell out a major part of the bond account to take profits on bonds that go to premiums so as to reinvest in short-term, low yielding investments.

» Shifts out of long-term government bonds are fully justified when alternative investments of good quality giving considerably higher yields are available. The one justifiable basis at this time for realizing capital gains by selling governments is to reinvest the proceeds in sound, amortizing real estate mortgage loans which give sufficient additional yield to compensate for the reduction of quality and liquidity that is involved.

» Corporate bonds, by and large, do not offer sufficiently higher yields to justify large-scale shifts from government bonds, even though insurance companies, for reasons suitable to them, have done so.

» Further study may show that section 235, subdivision 21 will help savings banks to secure higher yielding quality investments over a period of time.

» Sound, amortizing real estate mortgages offer the most promising field for increasing yields through investment shifts, because of the wider spread between mortgage and government bond yields. However, intensive efforts will be needed to increase mortgage portfolios, since the institutional demand expands when interest rates decline, while the growth in the mortgage supply has slowed down from the rapid pace of 1947 and 1948.

All in all, savings bank managements have every reason for confidence that earnings will continue to justify existing dividend rates.

At the Chicago Convention members heard Earl B. Schwulst say that mortgages will be in an even more advantageous position investment-wise. Now comes Mr. Ihlefeld, president of the Savings Bank Trust Company, owned by the New York savings banks, to say that mortgages are indeed their best avenue of investment.

What Mr. Ihlefeld has to say might be considered as a guide for savings banks to follow right now in sizing up their investment policy. In fact, he analyzes governments and corporate bonds and rates them from a savings bank investment angle now—and then concludes that, at this time, their best bet is good mortgages.

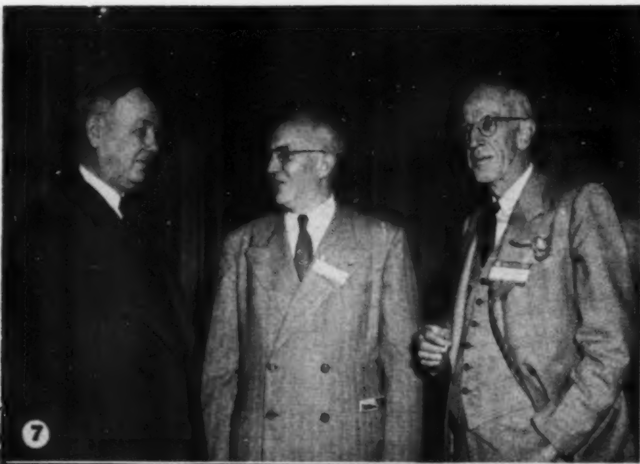
NO. 1. SERVICING CENTER BIG SUCCESS: Most pleasant development at the Convention was the big success of the second of MBA's two-conventions-in-one—the Mortgage Servicing Center. Heavy attendance at all four sessions reflected the fact that mortgage men appreciate the increasing importance of economical and efficient servicing in their operations in the years to come. Equally heavy inquiries at the booths of machine bookkeeping companies was further evidence of servicing's big role in future mortgage profits.

NO. 2. SPEAKERS' TABLE AT LEGION DINNER: MBA Secretary and Treasurer George H. Patterson; Clayton Rand, Gulfport, Miss., publisher and columnist and speaker of the evening; W. L. King, Washington, D. C., retiring Legion Grand Marshal; Past MBA President Aksel Nielsen, Denver; W. A. Clarke, Philadelphia, newly-elected Grand Marshal; and R. O. Deming, Jr., newly-elected MBA president.

NO. 3. DISTINGUISHED SERVICE AWARD: This year it went to Aubrey M. Costa, vice president, Southern Trust and Mortgage Co., Dallas, for his work as chairman of the membership committee in turning in an all-time record for new members. Congratulating him are newly-elected President R. O. Deming, Jr., and Past President Aksel Nielsen. Costa turned in 174 new members, largest in MBA experience.

NO. 4. OKLAHOMA AND OHIO: H. B. Moffitt, Realty Mortgage and Sales Co., Oklahoma City, and MBA regional vice president; Paul J. Vollmar, The Western and Southern Life Insurance Co., Cincinnati, and MBA board member; and G. H. Galbreath, G. H. Galbreath Company, Tulsa.

NO. 5. READY FOR SERVICING CENTER: Frederick P. Champ, Utah Mortgage Loan Corp., Logan, Utah, and MBA past president; Frank L. Wilkinson, Shryock



Realty Company, Kansas City; and Albert Mager, Mager Mortgage Company, Oklahoma City, and MBA board member.

NO. 6. TWO MBA GENERATIONS: Father-and-son combinations in the mortgage business today, left, G. Calvert Bowie and Philip S. Bowie, Washington, D. C.; Stanley H. Trezevant and Stanley H. Trezevant, Jr., Memphis; and George H. Dovenmuehle and George H. Dovenmuehle, Jr., Chicago. Others not shown here are E. E. Murrey and E. E. Murrey, Jr., Frank C. Waples and Robert and Eliot Waples, Cedar Rapids, Ia., and Jack D. Merriman and Joe Jack Merriman, Kansas City.

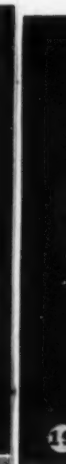
NO. 7. LONG TIME CONVENTION GOERS: E. E. Murrey, The First Mortgage Company of Nashville, and MBA past president; Paul J. Vollmar; and William T. Wood, Fickling & Walker, Inc., Macon, Ga.

NO. 8. THE PRESIDENT AND HIS LADY: President R. O. Deming, Jr., and Mrs. Deming arriving at the opening session.

NO. 9. FROM THE CORN COUNTRY: Earl Linn, The Weitz-Linn Investment Company, Des Moines, and MBA regional vice president; and the three Waples, Eliot O., Frank C. and Robert S., all of the Midland Mortgage Company, Cedar Rapids.

NO. 10. EXCHANGE OF VIEWS: W. L. King, Boss & Phelps Mortgage Co., Washington, D. C.; W. C. Weaver, National Life and Accident Insurance Company, Nashville; and Walter Gehrke, Detroit Mortgage and Realty Company, Detroit, and MBA regional vice president.

NO. 11. HEADED FOR SERVICING CENTER: W. Braxton Ross, Morrison & Morrison, Denver; William I. De Huszar, Dovenmuehle, Inc., Chicago; and Edgar N. Greenebaum, Greenebaum Investment Com-



pany, Chicago. Mr. De Huszar was a speaker and a member of the board of experts at the Servicing Center and is the author of the new Handbook of Mortgage Loan Servicing Practices published by MBA.

NO. 12. FROM TEXAS: John F. Austin, Jr., president, and Mrs. T. J. Bettes, chairman of the board, T. J. Bettes Company, Houston, the firm servicing the largest volume of loans in the country.

NO. 13. CONGRATULATING THE CHAIRMAN: James W. Rouse, The Moss-Rouse Company, Baltimore, and MBA regional vice president, and Byron T. Shutz, Herbert V. Jones & Company, Kansas City, and past president of MBA, congratulate Ferd Kramer, Draper & Kramer, Inc., Chicago, on his success as convention chairman.

NO. 14. SHOP TALK: Lawson M. Watts, vice president, First National Bank of St. Louis, and James E. McGehee, president, James E. McGehee & Co., Memphis.

NO. 15. FIVE OF THE 1,050 ADVANCE REGISTRANTS: F. A. Dunkak, The Gramatan Co., Inc., Bronxville, N. Y.; Harold C. Frantzen, The Western Savings Bank of Buffalo; Hugo Steiner, Stern, Lauer & Co., New York; Ray F. Eisenhardt and Evar J. Skoog, Buffalo Savings Bank.

NO. 16. MOMENT OF RELAXATION: E. B. Drake, treasurer, Bankers Life Insurance Company of Nebraska, Lincoln; and Robert H. Bolton, Rapides Bank and Trust Company, Alexandria, La.

NO. 17. SELF-STYLED "OLD TIMERS": Four who have held MBA membership longer than any others, Frank C. Waples, Midland Mortgage Co., Cedar Rapids, a former board member; Robert S. Beachy, Kansas City, one of MBA's honorary members; E. E. Murrey, former MBA presi-

dent, Nashville; and E. D. Schumacher, president, United Service and Research, Inc., Memphis, and former MBA president.

NO. 18. CONVENTION REGULARS: H. M. Spencer, Travelers Insurance Company, Hartford; Paul E. Von Kuster, David C. Bell Investment Company, Minneapolis; and G. C. Holmberg, Northwestern National Life Insurance Co., Minneapolis.

NO. 19. FAMILIAR FACES: W. A. Clarke, W. A. Clarke Mortgage Co., Philadelphia, and MBA board member; O. G. Gresham, Gresham & Co., Birmingham, and MBA board member; and Peter V. Cloke, Guardian Life Insurance Company, New York.

NO. 20. INSURANCE GROUP: Roger Kempton, Garrett-Bromfield & Company, Denver; Harvey C. McClary, National Life Insurance Co., Cedar Rapids; Norman H. Nelson, Minnesota Mutual Life Insurance Company, St. Paul, and MBA board member; and Henry H. Edmiston, Kansas City Life Insurance Company, Kansas City.

NO. 21. TIME OUT FOR A TALK: T. B. O'Toole, T. B. O'Toole, Inc., Wilmington, Del., and Guy T. O. Hollyday, Title Guarantee Company, Baltimore, and former MBA president.

NO. 22. INSPECTING THE EXHIBIT: William L. Leighly and George H. Dovenmuehle, both of Dovenmuehle, Inc., Chicago.

NO. 23. AN INTRODUCTION: N. N. Wolfsohn, Eastern Mortgage Service, Philadelphia; John L. Tivney, National Life Insurance Co., Harrisburg; Norman H. Nelson; and L. Douglas Meredith, National Life Insurance Co., Montpelier.

NO. 24. LEGION FOURSOME: Stanley H. Trezevant, Memphis; Homer C. Bastian, Wichita; Guy T. O. Hollyday, Baltimore; and G. D. Brooks, National Life and Accident Insurance Company, Nashville.

MBA COMMITTEES AT WORK

With the largest membership in its history, an annual meeting attracting around 1600 people, and between 10 or 12 regional meetings during the year, MBA has reached a point where more and more of the preliminary work in its various activities must be delegated to individual committees. As this Association year opens, the committees are off to a flying start, holding their initial meetings on the final day of the Convention. The plans and programs of some committees are reported here with progress reports due later; other committees will report soon.

BEGIN WORK ON JUNE MBA SEMINAR AT NU

MBA's annual Mortgage Banking Seminar, sponsored in cooperation with Northwestern University, is now in preparation and present plans point to another significant achievement in our field. Regarded by many as the most important contribution which the Association makes for the betterment of the industry, the course this year will be under the planning and supervision of the Seminar section of the Educational Committee with W. L. Leighly, vice president, Dovenmuehle, Inc., as vice chairman. Included in his section group are Robert H. Pease, Draper & Kramer, Inc., and Ward J. Gauntlett, Sharon Mortgage Co., Chicago; W. R. Bryant, American Trust Co., San Francisco; Stanley Fosgate, The Keyes Company, Miami; and Jack D. Merriman, Merriman Mortgage Company, Kansas City, Mo.

The dates are June 19 to 23. In view of the capacity attendance this year, it is not too early to make your plans now as to who from your organization will attend. A limitation will be set on attendance partly because the most effective results can be secured in a Seminar study of this sort with a limited number and partly because the excellent campus facilities which Northwestern affords can accommodate only so many.

Based upon last year's experience, as reported by Robert H. Pease, last year's Seminar chairman, at the Chicago Convention, some innovations and changes probably will be made. Mr. Pease has recommended concentrating the appraisal section on residences with probably a half day given to it with the remaining time on stores and apartments. The case study method has proved popular and effective, he said, and should be used more freely. Underwriting should be more heavily emphasized, particularly on residences. The Saturday morning session, Mr. Pease believes, should be eliminated. Thorne Hall, scene of the Seminar, is considered ideal for the course and Mr. Pease's group urged its retention.

The Seminar, contrary to the impression a few members seemed to have gained, has not and will not be a "primary" course in mortgage lending for the uninitiated and thoroughly inexperienced person. It was originally planned as a short "refresher" and instructional course in the most modern methods and practices in mortgage lending, each discussed by the best authority in the field. This year's course was attended by men of long and successful experience in mortgages — and, significantly, the highest praise for the worth and value of the course came from these men.

For a good investment in the operation of your business, for an informative exploration of the newest and latest thinking and methods in mortgage lending—all to be secured away from the rush and hurry of a convention and clinic—these five Seminar days can be safely recommended to any mortgage man.

MORE MBA CLINICS THIS YEAR THAN EVER BEFORE

A greatly expanded program of clinics for 1950 is now being planned with one of the primary objectives an effort to attract interest from as many members of a firm as possible. W. A. Clarke, president, W. A. Clarke Mortgage Co., Philadelphia, is chairman and is now working on the basis that possibly as many as eight can be held after the first of the year, each one so located in a particular area of the country that all members will be conveniently served with one of these meetings. Practical problems of the mortgage business will be emphasized more than ever before.

As previously announced, the first big MBA meeting of the Clinic type will be the Mid-Winter Mortgage Conference at the Drake Hotel, Chicago, February 23-24.

POCKET MANUAL SOON

Be on the lookout for MBA's annual *Members Handbook* showing this year's committees, calendar of events, officers, constitution and by-laws and other information which you as a member need for ready reference during the year. It's pocket size and convenient to carry.

The committees this year have been expanded in line with an unusually active program covering the diversified activities in which MBA is engaged. Addresses of officers, committee chairmen and members are shown so you can pass along ideas and suggestions to them quickly.

SEEKS FHA SUGGESTIONS

The FHA committee, as a result of the discussions at its initial meeting, is anxious to have all MBA members pass along queries and suggestions about any phase of FHA operations, market and procedures. An active and aggressive program is planned. Elmer H. Grootemaat, president of A. L. Grootemaat and Sons, Inc., Milwaukee, is chairman of the committee this year. Initially, the group discussed the availability of savings banks funds in the secondary market as well as the availability of interim financing, particularly for 608 operations. Further reports will be coming soon.

NEW EDUCATION GROUP

The Educational Committee, previously divided into the NYU Section and the Seminar Section, will have a third group this year—the Statistical and Magazine section. It consists of W. L. Leighly and Robert H. Pease and has for its objective the creation of a statistical section to appear monthly in THE MORTGAGE BANKER.

NEXT ON CALENDAR IS MBA-NYU COURSE

Next large meeting on the Association calendar is the annual educational course for senior executives which MBA, in cooperation with New York University, sponsors annually at the graduate school of business administration's downtown campus in New York. This is the year's event which seeks to provide the MBA member with a broad, comprehensive understanding of the important basic trends in the national economy so that he will be in a better position to cope with the more practical everyday problems of his own business.


Norman H. Nelson

Norman H. Nelson, vice president, Minnesota Mutual Life Insurance Company, St. Paul, is chairman of MBA's educational committee this year and Thomas E. Lovejoy, vice president, Manhattan Life Insurance Company, New York, is vice chairman in charge of the NYU section. Members of the educational committee who will serve with Mr. Lovejoy are C. Armel Nutter, Nutter Mortgage Service, Camden, N. J.; Paul P. Swett, Jr., The Baltimore Life Insurance Co., Baltimore; Harold F. Whittle, H. F. Whittle Investment Co., Los Angeles; and Andrew S. Love, Edward K. Love Realty Co., St. Louis.

Dates for the course are to be announced soon. In line with the suggestion of C. Armel Nutter, last year's co-chairman of the educational committee in charge of the NYU course, they will probably be moved up or back from last year's Jan. 25 to 27 because that time conflicts with bank annual meetings.

An entirely new program different from those of previous years is to be offered with emphasis on the special economic problems which confront the industry and our national life.

The course continues to be one of the most widely acclaimed Association activities. Practically all of those who have attended the past two years have agreed that it represented one of the best investments in their business they have ever made. Suggestion to members now: why not make your preliminary plans for the latter part of January and combine a trip to New York with this interesting and valuable "economic retreat"?

RESEARCH GROUP WILL HAVE HEAVY SCHEDULE

Action to simplify the inter-operations between investors and correspondents will be a major objective of the new Research Committee again headed this year by Guy T. O. Hollyday of Baltimore. At the first meeting on the final day of the convention, the group explored two of the suggestions made by Ehney A. Camp, Jr., in his address at the Servicing center (*see leading article*)—methods of handling escrow accounts and small hazard endorsements. Agreement was reached on a plan where a poll will be made to determine two or three principal objectives on which the committee can concentrate first. The opinion was freely expressed that Mr. Camp, in his analysis of goals we might seek to attain in securing greater standardization of operations, further simplification and avoiding duplication of work, represented a program which could be supported.


Guy T. O. Hollyday

Mr. Hollyday proposed that a closer working arrangement be secured with various life insurance associations which are devoting some of their efforts to similar problems.

Emphasis will be placed upon research this year as never before.

CORRESPONDENTS MEET INVESTORS IN CHICAGO

A tradition of MBA conventions is the breakfast, reception or dinner given by the life insurance companies for their correspondents attending the meeting. The 36th convention in Chicago saw more of these affairs than in previous years including those given by Franklin Life, Life and Casualty of Tennessee, Home Life, Penn Mutual, Acacia Mutual, Provident Life & Accident, Connecticut General, Mutual Benefit and the reception for all life insurance company men attending the convention.

One of the largest was the fifth annual Vermont maple syrup breakfast given by the National Life Insurance Company, Montpelier, Vt. About 175 were on hand for the event which was inaugurated five years ago by L. Douglas Meredith, executive vice president and chairman of the finance committee of the Company. Griddle cakes and sausages was the menu and 17 gallons of Vermont maple syrup were on hand to complete it.

At the head table were Aksel Nielson, retiring MBA president; Raymond M. Foley, HHFA administrator; R. O. Deming, Jr., newly elected MBA president; James B. Forgan, vice chairman of the board, and Bentley G. McCloud, president, The First National Bank of Chicago; Laurence B. Robbins and Charles B. Weaver, vice presidents, The Northern Trust Company, Chicago; Paul S. Russell, president, and Guy E. Reed, vice president, Harris Trust and Savings Bank, Chicago; Holman D. Pettibone, president, Chicago Title and Trust Company; E. J. Kelly, FHA district director; Robert D. Beer, manager, VA regional office; MBA Secretary George H. Patterson; Cassius A. Scranton, senior officer, Chicago Title & Trust Company, and Clyde Powell, assistant FHA commissioner.

Home office representatives, in addition to Mr. Meredith, were: Robert M. Tracy, treasurer; Charles E. Crane, assistant to the president; Addison Pond, inspector of loans; Peter Giuliani, attorney, and Donald S. Backus, loan inspector.

Next year will be the 100th anniversary celebration of National Life and Mr. Meredith is planning an even more extensive Vermont breakfast when MBA meets in Detroit. During the convention in Chicago, Mr. Meredith was guest at a special luncheon tendered to him by Mr. Forgan.

W. A. CLARKE NAMED GRAND MARSHAL OF MORTGAGE BANKERS LEGION FOR '49-50

The destinies of the English speaking peoples of the world are closely linked and there can be no retreat from that fact but American aid to England does have a limit and it behooves our people to carefully consider now how far we can go, Clayton Rand, Gulfport, Miss., publisher and columnist told members of the Mortgage Bankers Legion at their annual dinner Sunday preceding the convention opening. Rand had just returned from a tour of England and the Continent. The people of Germany are working harder than those of any other country, he said. Socialization in England has taken a terrible toll in beating down private enterprise and initiative, he said.

Nearly 100 attended this annual event which always precedes the MBA annual convention.

Some of the developments were:

>> W. A. Clarke, president, W. A. Clarke Mortgage Co., Philadelphia, was elected Grand Marshal to succeed W. L. King and John Scott, Scott Mortgage Co., Pittsburgh, was named secretary to succeed Mr. Clarke. Mr. Scott was in Europe at Convention time and could not be present at the dinner.

>> A. Y. Creager of the A. Y. Creager Company, Sherman, Texas, was named honorary member of the Legion. In accordance with a provision in the organization's by-laws, the Legion is empowered to nominate each year one member for honorary membership. Mr. Creager was a member of the MBA board of governors for many years and would have been eligible for Legion membership in 1929 had the organization been in existence at that time. His nomination was made by President R. O. Deming and seconded by E. E. Murrey, who served with him in the earlier years of the Association.

>> Four new members were admitted to the Legion. They are Paul J. Vollmar and Percy Kennedy, Cincinnati; Aubrey M. Costa, Dallas and Norman H. Nelson, St. Paul. Membership scrolls were presented. Membership in the organization is limited to MBA members who have served at least one term on the board of governors. Present roster consists of:

Morgan Adams, Los Angeles; J. C. Barta, St. Paul; William N. Bartlett, Wichita; Robert S. Beachy*, Kansas City; G. Calvert Bowie, Washington, D. C.

C. A. Campbell, Toledo; Edmund G. Chamberlain, Washington, D. C.; Frederick P. Champ, Logan, Utah; Thomas F. Clark, New Haven; W. A. Clarke, Philadelphia.

A. R. Cline, Houston; H. S. Cody, Winston-Salem; James W. Collins, Salt Lake City; O. M. Corwin, Minneapolis; A. Y. Creager, Sherman, Texas.

R. O. Deming, Jr., Oswego, Kansas; Elmer A. Dittmar, San Antonio; George H. Dovenmuehle, Chicago; Frederick S. Duhring, Berkeley, Calif; William M. Fitch, St. Louis.

A. D. Fraser, Cleveland; G. H. Galbreath, Tulsa; W. Bayne Gibson, Atlanta; McCune Gill, St. Louis; H. C. Glenn, Temple, Texas.

R. G. Hamilton, Jr., San Francisco;

Dean R. Hill, Buffalo; J. S. Hill, Charleston, W. Va.; Guy T. O. Hollyday, Baltimore; R. C. Houser, Miami.

Arthur M. Hurd, New York; Reade M. Ireland, Portland, Ore.; Ervin Jackson, Birmingham; Irvin Jacobs, Chicago; H. W. Johnson, Sioux City, Iowa.

Byron V. Kanaley, Chicago; C. P. Kennedy, Cincinnati; William L. King, Washington, D. C.; C. W. Kistler, Miami; E. H. Krueger, Cleveland.

Edward F. Lambrecht, Detroit; C. D. LeBey, Atlanta; Norman R. Lloyd, Cleveland; E. H. Lougee, Council Bluffs, Ia.; H. G. McCall, St. Paul.

D. H. McKee, Waterloo, Ia.; L. A. McLean, Louisville; Milton T. MacDonald, Jersey City; Harry Lee Martin, Los Angeles; C. W. Mead, Omaha.

Joseph M. Miller, New Orleans; Frank J. Mills, Fort Wayne, Ind.; Wallace Moir, Beverly Hills, Calif; Levering Moore, Los Angeles; E. B. Mount, Minneapolis.

C. A. Mullenix, Cleveland; Owen M. Murray, Dallas; E. E. Murrey, Nashville; Kenneth E. Nettleton, New Haven; Aksel Nielsen, Denver.

C. Armel Nutter, Camden, N. J.; George H. Patterson*, Chicago; Harry C. Peiker, New York; Miller B. Pennell*, Cleveland; Hugo Porth, Milwaukee.

R. R. Rogers, Glendale, Calif.; E. D. Schumacher, Memphis; John H. Scott, Pittsburgh; Byron T. Shutz, Kansas City; J. J. F. Steiner, Birmingham.

John C. Thompson, Newark; Stanley H. Trezevant, Memphis; J. S. Ulland, Fergus Falls, Minn.; F. C. Waples, Cedar Rapids, Ia.; S. M. Waters, Minneapolis.

H. V. Wheeler, Wichita; H. F. Whittle, Los Angeles; Frank L. Wilkinson, Kansas City, Mo.; H. F. Williams, Minneapolis; W. Walter Williams, Seattle; Frank Wolff, San Antonio, and H. G. Woodruff, Detroit.

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*Honorary Life Member

Convention announcement by President Aksel Nielsen: ". . . and here is another announcement which I have made before and will keep right on making: someone took my pencil and I want it back."

CAMP ON SERVICING

(Continued from page 4)

policies and, where this is done, it would appear that both the servicing agent and the investor have reasonable protection. This question of retention of insurance policies involves some radical changes for many of us and, in fact, I am not sure how our own board of directors would feel about it. They may be pretty well shocked even at the suggestion.

» FHA INSURANCE: Formerly, we had an elaborate system set up so that we might check and be sure that our servicing agents were paying the FHA mortgage insurance premiums due each month. We later learned, however, that the mortgage insurance would not be cancelled by the FHA without first notifying us even though the notices were mailed by the FHA to the servicing agent. Thereupon, we have placed the entire responsibility on the servicing agent for the payment of FHA mortgage insurance premiums and have eliminated quite a bit of duplication of record keeping by the two of us.

» TAX RECEIPTS: There is quite a bit of duplication of effort in handling of tax payments and the furnishing of tax receipts. It won't be possible here to explore this subject in detail, there appears to be room for improvement. The best suggestion heretofore made involves the furnishing of a certificate by the servicing agent to the investor to the effect that taxes have been paid on a designated list of loans. Certainly, this system obviates the necessity of the servicing agent forwarding the receipts to the investor, which means additional handling and filing of these receipts on the part of both parties.

These are just some illustrations of procedure where I feel there is room for improvement and standardization and room for the removal of some of the duplication of effort. There is a big job ahead of us. To accomplish our ultimate goal will call for a lot of "give and take" on all sides. But we must get busy and get everybody to talking about this subject and we must be optimistic in our approach.

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PEOPLE AND EVENTS

MBA Past President John C. Thompson addressed the Mid Year Trust and Banking Conference of the New Jersey Bankers Association on Mortgage and Real Estate Trends. . . . Alvy G. Schaum has been appointed vice president of Central Mortgage Co., Philadelphia. He was for 23 years with Fidelity Philadelphia Trust Co. . . .

Dr. Irving Bussing has become vice president of Lowell, Smith & Evers, Inc., New York, and will be in charge of the firm's activities in FHAs on a national basis. He had previously been manager of research with the Savings Banks Trust Company of New York.

C. Armel Nutter, MBA board member, was chairman of the Constitution Day Committee of the NAREB which sponsored observance of the day.

Donald MacGregor, formerly Dallas manager of T. J. Bettes Company, Houston, has been transferred to the main office and becomes executive vice president. Everett Mattson, vice president in Houston, has moved to the Dallas office as manager.

Huntoon, Paige and Company, Inc., New York, has opened a New England branch in Worcester, Mass., under the direction of Philip C. O'Connell. Mr. O'Connell was formerly with FHA in Boston, later with the Worcester County Institution for Savings and then joined the Institutional Securities Corp., of New York as Chicago representative. Last year he became associated with Huntoon, Paige and Company, Inc. as New England representative.

HEADS BIRMINGHAM MBA

Carl Hulsey of Garber, Cook & Hulsey, has been elected president of the Birmingham MBA and H. A. Drake, Jr., of Liberty National Life Insurance Co., was elected vice president. Hugh Denman, of Hodo-Weaver Companies, was named secretary and treasurer for the new year. Shown here, left to right, are Mr. Hulsey, Mr. Drake, Mr. Denman, John C. Hall, Cobbs, Allen & Hall, and newly-elected member of the MBA board of governors, and O. G. Gresham, MBA regional vice president from the Sixth District.

CHICAGO MBA ON TAXES

The Chicago MBA has just published a pamphlet which it is making available to its members for distribution and which is one of the best public relations projects we have ever run across. Title is *What Every Cook County Property Owner Should Know About His Real Estate Taxes.* It tells in plain simple language what real estate taxes are used for, how the assessor operates and gives suggestions for controlling taxes. Other local mortgage associations should write for a copy.

With taxes rising just about everywhere, few things a mortgagee could do that would be better appreciated than to explain to borrowers just what his taxes represent.

HOUSTON MBA ACTIVITY

The Houston MBA has joined with the local real estate board, property owners association, home builders group and lumbermen's association to form the Council for Free Enterprise, the objective of which will be to do some active work in perpetuating the American system of free enterprise.

There's a lot of discussion taking place but not too much systematic, planned action—which is one of the things the Council hopes to remedy.

Larger and larger delegations coming to MBA conventions in recent years has meant special transportation arrangements from the larger cities. Detroit, which always sends a big group, had more than 80 at this year's meeting and that meant special cars. Here's part of the first contingent leaving Sunday night. Left to right: Henry F. Fett, Michael Wartell, Hans Gehrke, Jr., Leo De Rosen, Heyward T. Denyes, George Fetters, Theodore Dill, Joel K. Riley, Samuel Clark, J. Bernard Dawsey, James Johnston, Mason Boardman, Norman Curnow, Irving Franzel and Charles P. Besancon.

★ *Recommended* READING

Copies of most of the addresses given at MBA's Chicago Convention are available to members without charge. On request, the national office will send any or all of the following:

Legislative Outlook and Report on Current Status of G.I. 505 Loans and Sales to FNMA by Samuel E. Neel, MBA Washington counsel.

Building a Better America by Herman W. Steinkraus, president, Chamber of Commerce of the United States.

Meeting the Return of a Normal Economy — Speaking from the Viewpoint of International Relations by Louis Ware, president, International Minerals & Chemical Corp., Chicago.

How the Federal Government's Housing Program Is Likely to Affect Mortgage Credit by Philip M. Klutznick, president, American Community Builders, Inc., Chicago.

What the Institutional Investor's Long Term Attitude on Mortgage Credit Is Likely to Be by Earl B. Schwulst, president, Bowery Savings Bank, New York.

FHA Operations and Policies by Franklin D. Richards, FHA Commissioner.

What Research and Technical Advance Have Done to Provide a Better Living Unit by James T. Lendrum, Acting Director, Small Homes Council, University of Illinois.

The Banker's Responsibility in the Next Decade by Harry R. Templeton, vice president, The Cleveland Trust Co.

Government Agencies' Responsibilities by Raymond M. Foley, HHFA administrator.

Efficient Servicing Means Good Public Relations by John W. Kelly, Eastern Mortgage Service Co., Philadelphia.

How Manual Operations Can Be More Efficient by Walter C. Nelson, vice president, Eberhardt Company, Minneapolis.

Internal Coordination of Servicing Functions by John F. Austin, Jr., president, T. J. Bettes Company, Houston.

Cutting Costs in Operations of the Cashier and Collection Departments by C. B. Boone, vice president, Reid-McGee and Co., Jackson, Miss.

Mechanical Bookkeeping Equipment — When to Install and How (Exhibits Only) by Sydney W. Gould, vice president and treasurer, The Lomas and Nettleton Co., New Haven, Conn.

Handling Reserve Funds Effectively by Philip F. Stein, vice president, Draper & Kramer, Inc., Chicago.

Effective Loan Servicing by Commercial Banks by Willis R. Bryant, assistant vice president, American Trust Company, San Francisco. (Address and delinquency forms, etc.)

Has IBM Equipment a Place in Mortgage Loan Servicing by G. S. Thomas, Tabulating Supervisor, Stockton, Whatley, Davin & Co., Jacksonville, Fla.

Effective Methods for Selecting and Training Servicing Personnel by Lemuel J. Holt, secretary and treasurer, W. A. Clarke Mortgage Co., Philadelphia.

FACTS ABOUT THE BUSINESS

2.95% NET RETURN ON FARM LOANS 1945-47

That life insurance companies are receiving a relatively low return on farm mortgage holdings in relation to the risks involved, seems to be indicated by a survey just completed by the National Bureau of Economic Research.

The yield on life company farm mortgage loans, in the 1945-47 period, was 3.20 per cent. This develops a net return of 2.95, the difference being an allowance for potential loss. This low rate was caused by the repayment of loans at a rate which, had it continued, would have retired the entire farm holding portfolio of the carriers in two to five years.

The report covering only the years 1945-47, implies, but does not state, that this condition changed in 1948 and the early part of 1949.

The survey was made by Raymond J. Saulnier, Columbia University professor and director of the bureau's financial research program. It is the first survey of returns and lending costs for these investments, and is a part of an agricultural finance study prepared under grants from the Life Insurance Investment Research Committee (acting for the American Life Convention and the Life Insurance Association of America), the Rockefeller Foundation, and the Association of Reserve City Bankers.

Ehney Camp, in his address at the Chicago Convention (*see leading article this issue*), told of this statistical study and expressed the hope that when 1948 data became available they would show a higher return than was true for 1947. He was, however, confining his remarks to city loans primarily.

In each of the three years, the gross return reported by each of the 43 companies surveyed was between 4.00 per cent and 4.75 per cent. This income included interest on farm loans and real estate sales contracts, prepayment premiums, and all other income except on owned real estate. The average gross income of 4.65 per cent declined to 4.26 by the end of 1947.

Average costs for handling these investments increased. This upward movement, however, Saulnier said, was mainly evident in companies having very large farm mortgage operations. It is attributable to increased branch office and originating fees, and also to a somewhat larger volume of new loans made in 1946 and 1947, he said.

BUT FARMING IS ON A SOUND BASIS SAYS ABA

Although American farmers have spent millions of dollars for improvements, soil conservation, and the purchase of new equipment since war's end, farm debt has made no significant increase; and savings in cash, bank deposits, and United States savings bonds are at record levels, according to ABA's Agricultural Commission.

"Farm mortgage debt remains only about one-half of what it was in a comparable period after World War I.

"Farm borrowings are usually a reliable indicator of the economic condition of agriculture; and one of the brightest aspects of the present situation is the fact that the average loan per borrower during 1948 for production purposes was only $1,845, and the average loan made on farm real estate was only $2,325," the study showed.

"Cash reserves held by the farmers are being consistently increased and are estimated to be sufficient to retire all farm debt. However, the farmers are wisely holding the reserves as a safeguard against emergencies and to enable them to buy new equipment and make improvements. The big demand for new equipment to replace that worn out during the war years appears to have been satisfied. There is a nationwide trend among farmers to improve livestock and crops and to practice modern conservation methods and land management. This trend insures a steady improvement in the condition of agriculture for many years in the future."

FED SAYS BIG MARKET AHEAD FOR NEW HOMES

Statistically speaking, the federal reserve board has come up with facts and figures which are significant. For instance:

U. S. home owners were paying about 13 per cent of their income for mortgages, taxes, additions and upkeep. On the other hand, persons living in rented dwellings were paying about 12 per cent of their incomes. About 26 per cent of the tenants said their rents had gone up in 1948,

about 8 per cent got rent cuts and the rest reported no change.

More than half (55 per cent) of all home-owning non-farm families reported their homes were free of mortgage debt. Owners who purchased before 1940 were reported as having paid off their mortgage debts in seven out of 10 cases. Only three out of 10 post-war buyers reported no mortgage.

The Board's study shows that debt-free properties were noticeably concentrated in units valued at less than $7,500.

The average home-owning family paid slightly less than $300 in mortgage principal retirement during 1948. The Board's researchers learned that 10 per cent of home-owning families paid nothing against principal, 8 per cent paid $99 or less, and 33 per cent made principal payments aggregating between $100 and $299. Those paying $300 to $1,000 against principal numbered 28 per cent of all home owners.

The average taxes paid by non-farm families on their homes during 1948 was between $50 and $99, and only 1 per cent paid $500 or more.

Housing expenditures were reported as taking 21 per cent of the income of families earning less than $2,000 before taxes. Those with incomes from $2,000 to $5,000 paid an average of 17 per cent for housing and those with incomes higher than $5,000 allocated 11 per cent to their housing budgets.

Looking ahead, the federal reserve forecast is decidedly optimistic:

There'll be a market for about seven million houses in the U. S. in 1949-53, if times stay good and prices aren't too high, the Board estimated.

All this, as well as the previous data, is based on a survey of consumers conducted by the University of Michigan's social research center. Interviewers asked some 3,500 persons in 66 urban and rural areas about their present housing and their house-hunting ideas.

The seven million figure, which includes prospective purchases of old as well as new houses, is based on the number who said definitely they expect to buy, plus half of those who said they will probably be in the market.

Some other facts:

» About half the families who own their own homes moved into them since Pearl Harbor.

» About half the home owners valued their houses above $8,000, including about 40 per cent who thought they were worth $10,000 or more.

» About four out of every 10 families throughout the country moved at least once in the three years ended December 3, 1948. About two out of every 10 moved at least once last year.

RESEARCH PROJECT

One of the important research efforts to be made in the mortgage industry will soon be undertaken as a part of the 1950 census of housing and will consist of a survey of residential financing. It will provide data on the amount and characteristics of home mortgages. Frank J. McCabe, Jr., MBA director of education and research, has been named a member of the subcommittee of the Department of Commerce's Technical Advisory Committee which will meet this month in Washington to make initial plans for the project.

PERSONNEL

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